

Winter Road Maintenance Program – Phase 2 Analysis: Deploying Resources

Date: June 22, 2021
To: Audit Committee
From: Auditor General
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

Confidential Attachment 1 describes criteria that the City should consider applying during negotiations that will be carried on by or on behalf of the City of Toronto, including information regarding the criteria that should be applied when negotiating and preparing contracts.

SUMMARY

As the City prepares to enter into a new set of multi-year winter maintenance contracts, it is important to analyze if the City was receiving the best value for money from the existing multi-million dollar contracts. Transportation Services currently has 47 seven-year winter maintenance contracts, valued at approximately \$450 million, which are due for renewal in 2022. The Auditor General's report in Attachment 1 with confidential portions in Confidential Attachment 1, considers whether the City was receiving the best value for money from its past contracts, as well as opportunities for improved efficiency and cost-effectiveness in the contract services model going forward.

A Negotiated Request for Proposal (nRFP) process for the next round of winter maintenance services contracts is currently underway. The 2022 procurement for Winter Maintenance Services was tendered on May 7, 2021. The bidding process has closed and the Division is starting the evaluation stage. It is anticipated the contracts will be awarded this fall.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council adopt the recommendations contained in Confidential Attachment 1 to the report (June 22, 2021) from the Auditor General.
2. City Council authorize the public release of Confidential Attachment 1 following the Division's recommendation of the award for Winter Maintenance Service contracts under its current Negotiated Request for Proposal, expected to be during October, 2021.
3. City Council request the General Manager, Transportation Services Division, to:
 - a. identify and remediate data entry errors and omissions in the TMMS Database for its winter maintenance program as part of an ongoing quality control process, and
 - b. implement system-based controls such as data edit controls to validate data entry and protect key fields in the TMMS Database.
4. City Council request the General Manager, Transportation Services Division, to use the data from its TMMS Database to measure and monitor contractor performance, analyze operational trends, and inform decision-making.

FINANCIAL IMPACT

The financial impact depends on contract negotiations which are expected to conclude in the fall of 2021, so it is not determinable at this time.

DECISION HISTORY

The Auditor General's Phase 1 "Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes" can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU6.2>

City Council on October 27, 2020 adopted with amendments the Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes. There were 27 recommendations from the Audit Committee and five additional motions adopted by City Council.

The Auditor General's Audit Work Plan included a cost-benefit analysis of contracting out versus in-house delivery of winter road maintenance services. The Auditor General's Work Plan can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU7.5>

COMMENTS

Please refer to Attachment 1 and Confidential Attachment 1 for the Auditor General's report that provides the Audit Committee and members of Council with the detailed project results of "Winter Road Maintenance Program– Phase 2 Analysis: Deploying Resources", including recommendations together with management's response. Management has agreed to all four recommendations. A high-level summary of the key project findings is provided in the one-page Project at a Glance.

By way of background, Transportation Services' mission is to provide a safe, efficient, and effective transportation system that serves the residents, businesses, and visitors of the City of Toronto in an environmentally, socially, and economically sustainable manner.

Transportation Services is responsible for delivering the City's Winter Road Maintenance program with an annual budget of \$90 million.

The majority of winter services provided by the Division are delivered using contractors. The Division currently has 47 seven-year contracts with 21 different contractors and a fleet of approximately 1,130 contracted vehicles to deliver winter maintenance activities such as anti-icing, de-icing, snow plowing, and snow removal. In-house staff perform a small portion of winter maintenance work for local roads and laneway salting.

The Division's average annual winter road maintenance expenditures are:

- \$47 million (57%) for contractors to stand by ready to work if needed (\$237 million over five years)
- \$17 million (21%) to contractors for actual on-street services
- \$12 million (15%) for salt
- \$6 million (7%) for divisional staff standby.

As part of our phase one report "Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes," we highlighted that the biggest expenditure for winter maintenance services is the contractor standby payments. Contractor standby payments represent 57 per cent of the total winter maintenance program expenditures and 73 per cent of the total contractor payments. The standby payments are directly correlated to the fleet size. The larger the fleet, the larger the standby payments.

The *City of Toronto Act*, 2006 (Ontario Regulation 612/06), mandates the minimum maintenance standards for highways in the City of Toronto. These standards cover

various winter maintenance activities undertaken by the Division, including snow plowing and road salting.

City Council approves the City's winter maintenance service levels for various road types. These service levels are higher than the provincially mandated minimum maintenance standards. This approval is done annually during the Operating Budget approval process. In 2019-2020, the sidewalk and transit snow clearing level of service was updated to reflect a 2 cm activation of operation for sidewalks with low pedestrian volumes. Previously, the low volume sidewalks were being cleared at 8 cm accumulation of snow.

The winter maintenance contracts were signed in 2015 and are nearing the end of their seven-year term.

Our Phase Two report considers whether the City was receiving the best value for money by contracting out winter maintenance services. The report also identifies opportunities for improved efficiency and cost-effectiveness in managing the contracted services model in the Division's upcoming contract cycle.

A nRFP process for the next round of winter services contracts is currently underway. This nRFP will award 11 performance based contract focused on quality performance with incentives and disincentives for awarded contractors. These contracts also leverage technology using GPS to automate processes, verify payment and manage equipment during winter events. Many recommendations from the Auditor General's Phase 1 report have been considered when preparing the procurement documents.

The 2022 procurement for Winter Maintenance Services was tendered on May 7, 2021. The procurement has closed and is in the evaluation stage. It is anticipated the contracts will be awarded this fall.

CONTACT

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SIGNATURE

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Auditor General

ATTACHMENTS

Attachment 1 – Winter Road Maintenance Program – Phase 2 Analysis: Deploying Resources

Confidential Attachment 1 – Confidential Portions of Winter Road Maintenance Program - Phase 2 Analysis: Deploying Resources